

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
**COMMUNITY DEVELOPMENT DIVISION**

**Subject: RENT LIMITS**

**Effective Date: September 1, 2015**

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Rent and income limits apply to assisted units and vary according to the source of funds. HOME, MSHDA and Community Development Block Grant (CDBG) rents include a Utility Allowance. This policy bulletin will define:

- Rent and Income Limits Under the CDBG and MSHDA Program
- CDBG and MSHDA Program for Downtown and NPP Areas
- Applying New CDBG/MSHDA Policies to Projects Set-up Before January 2008
- Rent and Income Limits Under the HOME Program
- Guidelines for Floating Units Under the HOME Program

**RENT AND INCOME LIMITS UNDER THE CDBG AND MSHDA PROGRAM**

The maximum rents which may be charged for rental units rehabilitated with CDBG or MSHDA funds are the HUD Fair Market Rents (FMR). See Rent Limits in Grantee Tools on CDD's website. The FMR is a gross rent figure. Therefore, any utilities required to be paid by the tenant must be subtracted from the FMR when determining the maximum rent/contract rent, which may be charged for a specific unit size. Please refer to the Utility Schedule in Grantee Tools when determining the amount of tenant paid utilities.

The maximum income for tenant households in CDBG assisted projects is 80% of AMI.

**RENT AND INCOME LIMITS UNDER THE HOME PROGRAM**

For projects with 1-4 HOME-assisted units (HAUs), the maximum rent to be charged initially is established by HUD for the area. This figure is the lesser of the HUD published High HOME Rent (65% Rent Limit) or the FMR. Household income when there are 1-4 HAUs for initial tenants must be less than 60% AMI. Subsequent household tenants can have incomes at or below 80% AMI.

For projects with 5 or more HOME-assisted units, 20% of the assisted units must be rented at the lesser of the Low HOME Rent (50% Rent Limit) or the FMR. The remaining 80% of the units must be rented at the lesser of the HUD published High HOME Rent (65% Rent Limit) or the FMR. Household income for 80% of the HAUs must be below 60% AMI for the initial tenants, and must be below 50% AMI for 20% of the HAUs. Subsequent tenants can have income up to 80% AMI for 80% of the HAUs and up to 50% AMI for 20% of the HAUs.

As with CDBG-assisted units, all rents include a utility allowance. The FMR and HOME rent limits are gross rent figures. Therefore, any utilities required to be paid by the tenant must be subtracted from the FMR or HOME rent limit when determining the maximum rent/contract rent, which may be charged for a specific unit size. Please refer to Utility Schedule in Grantee Tools when determining the amount of tenant paid utilities.

**Note:**

- Tenant incomes must be re-certified annually, with tenant self-certification permitted. If tenants are over income, rent is adjusted to 30% of their income, without utility allowance.
- While the annual submittal of income is a requirement of tenancy, MSHDA does not require the grantee to pursue eviction if the tenant does not provide income or self-certification information. If the

tenant refuses to provide his/her income, the unit rent will be established at the rent that unit would rent for if rents were unrestricted (fair street rent). This rent would not include a tenant utility allowance.

#### **GUIDELINES FOR FLOATING UNITS FUNDED WITH THE HOME PROGRAM**

HOME-assisted units may change over time as long as the total number of HOME-assisted units does not change. As tenants' incomes change and vacancies occur, this allows the owner some flexibility to stay in compliance with HOME rules. The replacement units must be comparable in size, number of bedrooms, and amenities to those originally designed as HOME-assisted.

If a family occupying a "floating" High HOME Rent unit has increased income beyond 80% of the area median income (AMI), their rent would be increased to either 30% of the gross monthly income or the fair street rent. Therefore, their unit would cease to be tracked as a "HOME-assisted" unit. The owner would be required to rent the next comparable vacant unit to a family within the income limit and charge the High HOME Rent or the FMR, whichever is greater.

If you have questions, contact your CD Specialist at 517-373-1974.